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AMERICAN GILSONITE COMPANY

1150 KENNECOTT BUILDING
SALT LAKE CITY, UTAH 84133

T. C. MOSELEY
SECRETARY-TREASURER

October 18, 1976

U-073071

Mr. J. W. Moffitt
Area Mining Supervisor
U. S. Department of the Interior
Geological Survey
8426 Federal Building
125 South State Street
Salt Lake City, Utah 84138

Dear Mr. Moffitt:

In response to your Mr. A. L. Vance's letter of August 3, 1976 we are enclosing the additional information and drawings requested to complete the mining plan for our lease U-073071.

We are now in the process of obtaining the services of an approved archeologist to study the area involved and his report will be submitted to you when completed.

We understand that with your approval of the enclosed report, maps and drawings and the archeologist's report, this mining plan will be completed. If not, please advise of any further information you may require.

Very truly yours,

T. C. MOSELEY

TCM:cm
Enc:

AMERICAN GILSONITE COMPANY

PROPOSED MINING PLAN FOR THE WAGON HOUND GILSONITE VEIN

FEDERAL LEASE U - 073071

GENERAL

Lease U-073071 is located in section 27, T9S, R24E, approximately two miles southwest of Bonanza, Utah.

Total relief of the lease is not over 250 feet, with the lowest portion (5520 feet above sea level) on the western border, and the highest in the southeastern corner (5760 feet above sea level).

The plant life in the lease area consists of sparse sagebrush and greasewood with various grasses and occasional cacti.

Animal life is mostly transient type, with indications of rabbit, deer, antelope, coyote, and various species of mice. Due to the lack of water in this area the animal life is scarce.

The lease is accesible by two dirt roads, one crossing the vein just east of the proposed site of WH-12. The landforms along the vein are gently sloping terrain with low hills and small intermittent streambeds. Just east of the proposed location of WH-17, a sandstone bluff rises 80 feet above the streambed creating difficult conditions for mine setup. This shaft may eventually have to be located farther west.

SURFACE FACILITIES

With the landforms in this lease, surface disturbance from WH-12 through WH-16 should be minimal. Needed would be a haul road along the vein, power lines along this road, and a relatively flat site at each shaft to set up a hoist house, derrick, timberyard, and compressor.

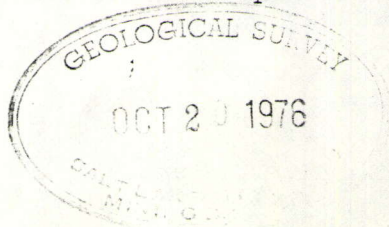
The haul road would be about twenty feet wide and need little if any grade changes. It will cross two intermittent streambeds, but these represent very small watershed areas with low annual rainfall, so dip type crossings should be adequate. A separate road would be built to WH-17 in order to minimize surface disturbance on the steep slope between WH-16 and WH-17.

Mine surface facilities would consist of a derrick with a 20 x 20 foot base and a height of 77 feet; a hoist house with a 20 x 15 foot base, located approximately 100 feet from the derrick; a timberyard occupying not over 500 sq. ft.; and a compressor occupying not over 200 sq. ft.. Conduit and piping runs along (or under) the ground between the hoist house, compressor, and derrick.

Power would be supplied by extending the line from WH-11 down the proposed access road to each hoist house.

Federal mine regulations concerning the location of inflamables, construction materials, keeping weeds from around the mine shaft, and not allowing matches, smoking, or other ignition sources in the mine will be followed.

Hazards to public health and safety will be prevented by fencing off open mine areas while operating and covering openings with concrete upon completion of mining.



MINING METHODS

The gilsonite vein in this area strikes N60W with a dip of 2°S, and ranges in thickness from 2.6 feet at the surface to 1.6 feet at a depth of 355 feet.

Mining will be done using a method of open stopes with timbered floors spaced thirty feet apart (top floor six feet below surface or barrier pillar), in panels approximately 300 x 250 feet. If surface pillars are left they will have a minimum thickness of 35 feet. If surface pillars are removed, they will be recovered after the panels are mined out, and blasting will be used to close the open slot.

Equipment used in the mining operations consists of hand operated pneumatic rock picks to break the ore at the face. The ore is then gravity fed down the slope. It is picked up at the bottom with an air lift which transports the broken ore to the storage bin on the derrick. In some cases a slusher is used to bring the broken ore to the shaft, where it is hoisted to the surface bin in a skip.

At the present time hydraulic mining is not being planned for the mining of this vein, therefore there should not be any discharge of water unless groundwater is encountered in mining. If this should prove the case it will be piped into natural drainage in accordance with EPA regulations.

MINING SEQUENCE

Mining would begin at WH-12 and shortly after (dependent upon equipment availability) would also begin at WH-13. At the closure of WH-12 (approximately 30 months) WH-14 would be opened. The same with the closure of WH-13 and opening of WH-15, etcetra down the vein.

Previous geologic reports by Mr. Robert Covington had indicated a workable depth of about 1200 feet below the surface (based on area geology only); however, mining experience with the WH-11 mine showed the vein to narrow at about 600 feet below the surface. Thus the vein can only be worked down to the minable depth of approximately 600 feet.

RECLAMATION

Reclamation procedures for this lease will consist of removal of all surface facilities, including cleanup of all scrap materials, within two months of the end of the life of the mine. If the surface pillars have been removed the open slot will be closed with proper blasting methods and fencing removed. If the surface pillars are left, the shafts will be capped with a reinforced concrete slab at least 12 inches thick with ½ inch diameter steel reinforcing rod on 12 inch centers in a cross patern one third of the distance from the bottom of the slab. This slab will extend at least 12 inches beyond the opening in all directions.

Landforms will be recontoured to match surrounding terrain and designed to control erosion during the regrowth period. A program of reseeding will be carried out in conjunction with the BLM to assure the best possible results.

VALUATION OF DRILLING

WAGONHOUND WH-76-1 Drill Hole

The WH-76-1 diamond drill hole was located in NE¼NE¼SE¼ of Section 28, T9S-R24E, SLM, Uintah County, Utah. The hole was located 360' NE of the vein which is 32-34" on the surface. A 45° angle hole was drilled with a Wesdrill hydraulic rotary rig. Connors Drilling Company, Montrose County, Colorado was used, Wally McFarlin, Driller. Air was used as a circulating medium to a depth of 80' when a small amount of ground water prevented further air drilling.

At 235' a lost circulation zone was encountered with 50% lost circulation. Coring started at 420' and continued to T.D. 540.1'.

The Gilsonite vein was encountered from 514.5 to 516.7' for a total of 2.2' on the angle or 1.6' true width. The vein dips 2° to the south. In view of the narrow width at 355' it is probable that only the upper 200' of the vein is mineable, since the surface width of the Wagonhound is 32-34".

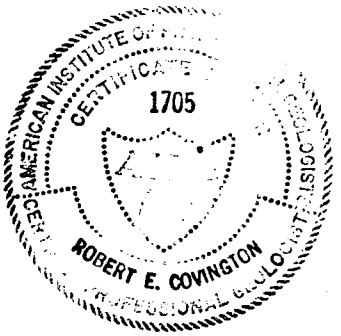
However, it is possible that below 400' the vein will widen and workable ore below this depth could be considered for future reserves.

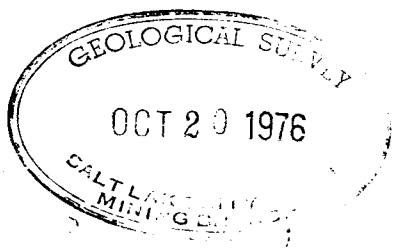
Respectfully Submitted,

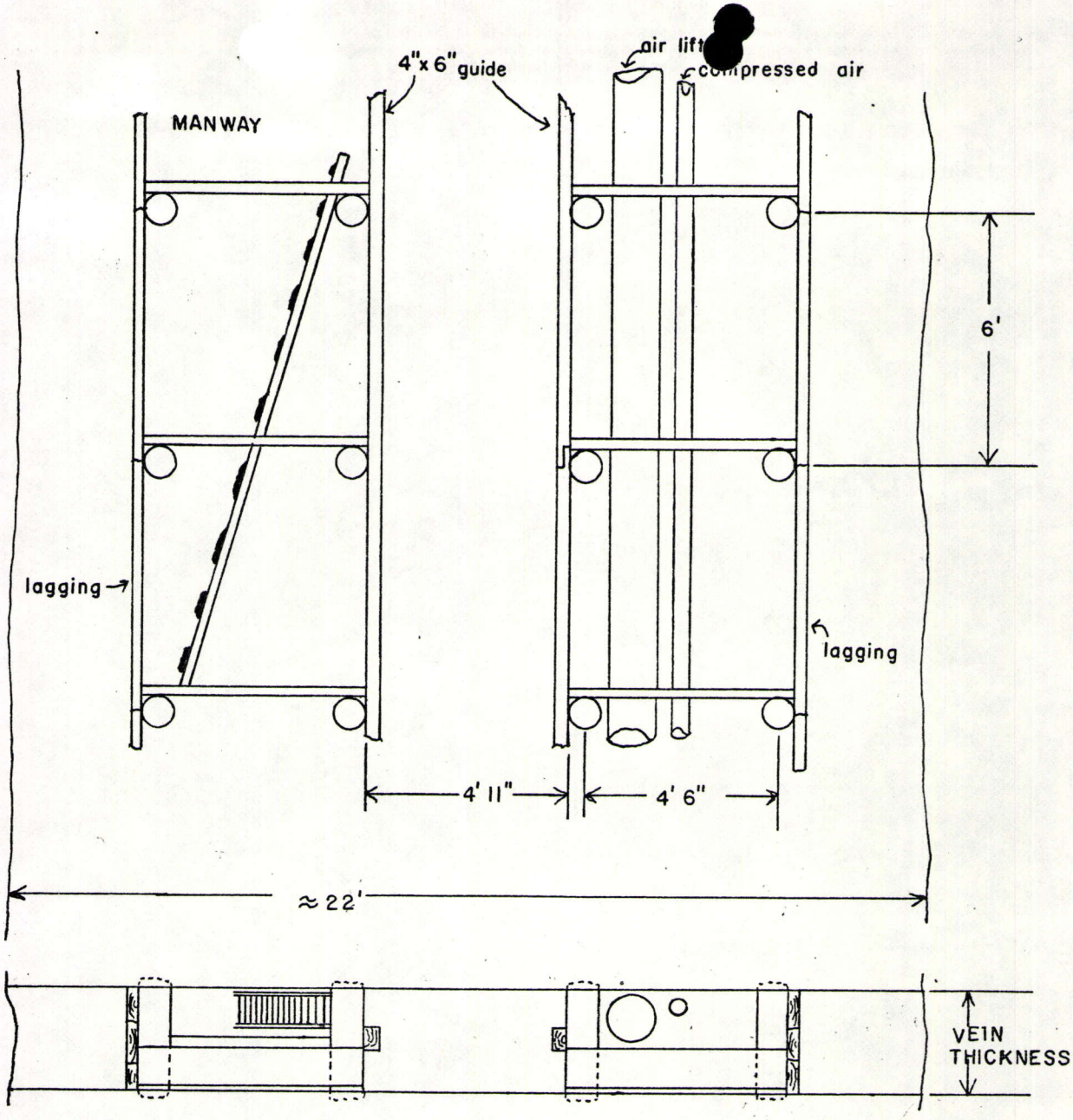
Robert E. Covington

Robert E. Covington, CPG #1705

Vernal, Utah
July 1, 1976



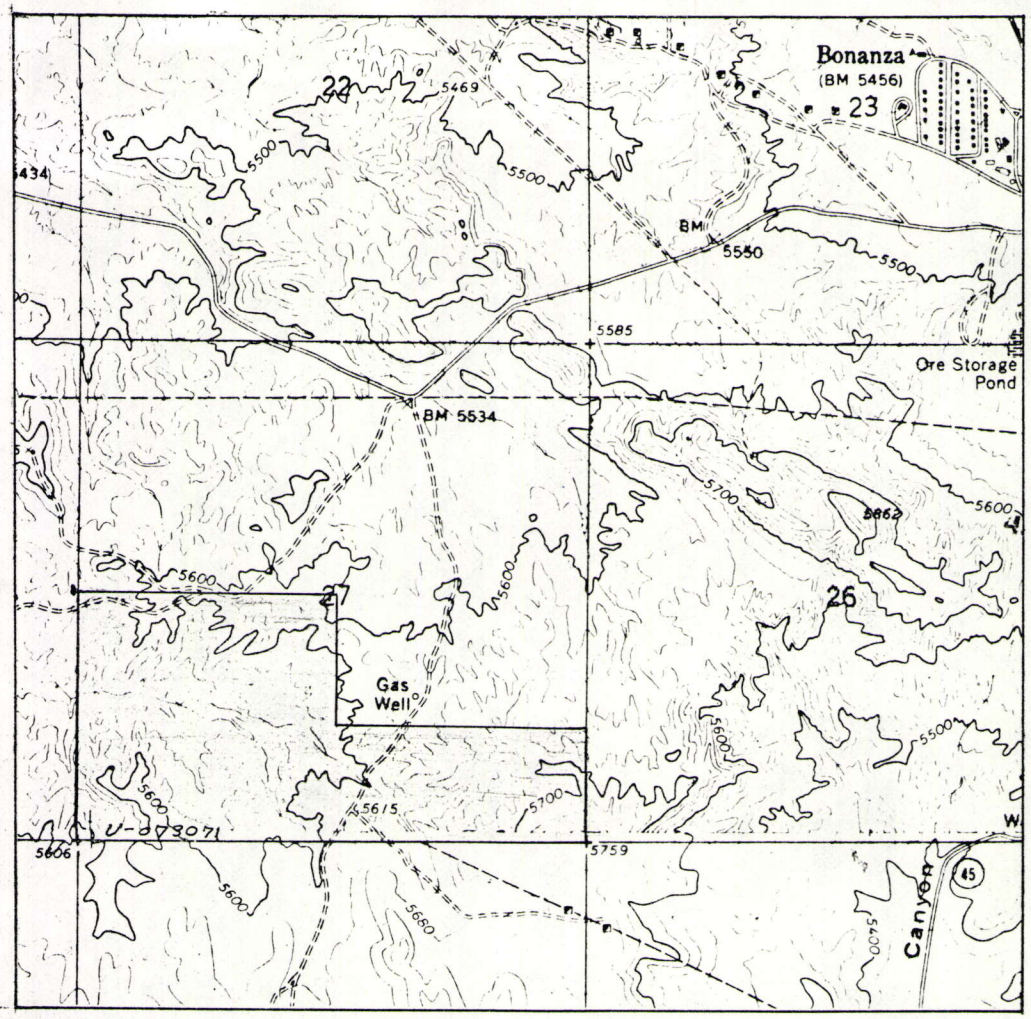




SHAFT TIMBERING TECHNIQUE

AMERICAN GILSONITE COMPANY

BONANZA, UTAH



MAP SHOWING LEASE LOCATION ON USGS TOPOGRAPHIC SERIES, BONANZA QUADRANGLE, UTAH - UINTAH CO.
7.5 MINUTE SERIES; N4000 - W10907.5/7.5, 1968